

of the eighteenth century. Scotland, which gave to the world the founder of the classical school of political economy in Adam Smith, was also the birthplace of Law, the author of "The System" which introduced the use of negotiable securities on a broad scale into France. The name of Law has been synonymous with the most reckless speculation and brazen fraud, but the bank which he founded was at the outset conducted upon conservative principles, and even the system of the " Company of the West" (*Compagnie d? Occident*}, more generally known as the Mississippi Company, was conceived upon broad and not impossible lines before the stock was made the plaything of speculation. Law desired to establish a royal bank of state, but the government was only willing to grant a charter for an institution managed by private citizens. The bank thus founded by letters patent May 2, 1716, was authorized to issue bills in crowns of specie under the name of *¹ bank crowns/ redeemable in money of the weight and denomination of the day of issue.¹ This was intended to guard the bank-notes against the possible fluctuations and changes in the metallic standard and give them some such preference as that given to the " bank money" of the Bank of Amsterdam. The feature which rapidly attracted subscriptions to the stock was Law's offer to accept payment at the rate of twenty-five per cent, in specie and seventy-five per cent, in bills of state, which were at a discount of about seventy-five per cent.

Discount was granted by the bank at the rate of five per cent., and officers of the finances received orders in October, 1716, to make their remittances upon Paris in bank-bills, and to redeem these bills at sight when presented to them. Another official decree of April 10, 1717, authorized the receipt of the bills as money for the payment of public revenues. If the bank had continued upon the sound basis of a bank discounting commercial paper and acting as the fiscal agent of the Treasury, France would have been under a great debt of gratitude to Law for introducing into her commercial relations the methods of the modern

¹ Courtois, 10.